



Kentucky Rural Water Association

Helping water and wastewater utilities help themselves

October 13, 2003

Mr. Martin Huelsmann
Chairman
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RECEIVED
OCT 20 2003
PUBLIC SERVICE
COMMISSION

Dear Mr. Huelsmann:

2003-00401

Please find enclosed an original and ten (10) copies of the Application of the Lake Village Water Association, Inc., for Approval of a Proposed Increase in Rates for Water Service being brought before the Public Service Commission.

If you have any questions, please feel free to contact the office.

Sincerely,

Carryn Lee/
bs
Carryn Lee
Financial Analyst

CL:bs

Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

REC-117
OCT 20 2003
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

**THE APPLICATION OF THE LAKE VILLAGE
WATER ASSOCIATION, INC., FOR APPROVAL
OF A PROPOSED INCREASE IN RATES FOR
WATER SERVICE**

)
) **CASE NO. 2003-00401**
)
)
)

STATEMENT AND NOTICE

Lake Village Water Association, Inc., ("Lake Village"), hereby petitions the Commission for approval of a proposed increase in its water rates and charges. In support of its application, Lake Village respectfully states as follows:

1. Lake Village is a non-profit water association. A copy of the articles of incorporation are included as an exhibit to this application. Lake Village's principal office, place of business and mailing address is P.O. Box 303, Burgin, Kentucky 40310.
2. Lake Village is engaged in the distribution and sale of water. It currently provides water service to approximately 1,832 customers in Boyle and Mercer County. Lake Village also provides water service to Northpoint Training Center at a wholesale rate of \$1.80 per 1,000 gallons.
3. The proposed increase in rates and charges is necessary for Lake Village to meet its operating expenses, to maintain financial viability, to cover its debt service, and to continue to provide adequate service.

4. For the purpose of justifying the reasonableness of the proposed increase, Lake Village has utilized a historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2002.

5. Lake Village's annual reports, including the annual report for 2002, are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

6. Lake Village hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will become effective upon Commission approval, and will result in an increase in annual revenues of \$304,149, which is an increase of 40 percent over normalized revenues of \$751,561.

7. The proposed tariff (Exhibit No. 1) is shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

8. Lake Village has complied with 807 KAR 5:011, Section 9,(2) and 807 KAR 5:001, Section 10,(3) and (4) by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit 3 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications to be made no later than seven (7) days after the date the application is filed with the Public Service Commission.

9. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.

10. As required by 807 KAR 5:001, Section 10, (4), (f), Lake Village will post a copy of its Customer Notice at its place of business on the same day the application is

filed with the Public Service Commission, and it will remain posted until the Public Service Commission has determined Lake Village's rates.

11. The list of the documents filed in support of Lake Village's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.

12. Lake Village requests that due to budget constraints and number of employees, if the Commission requires additional information in order to process this case in a timely manner, that it provide the Association with any Staff assistance that may be available.

13. WHEREFORE, the Applicant, Lake Village Water Association requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at Burgin, Kentucky this 10-9-03.

LAKE VILLAGE WATER ASSOCIATION, INC.

By Garland VanZant
Garland VanZant, Vice-Chairman

COMMONWEALTH OF KENTUCKY
COUNTIES OF MERCER AND BOYLE)

)
)SS

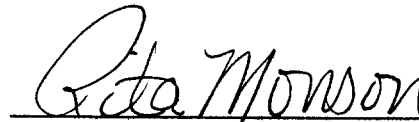
The undersigned, being duly sworn, deposes and states he is the Vice-Chairman of the Lake Village Water Association, Inc., Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are there in stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this 10-9-2003.


Vice-Chairman
Lake Village Water Association, Inc.

Subscribed and sworn to before me by Garland Vanzant, Vice-Chairman of the Lake Village Water Association, Inc., on this 10-9, 2003.

My Commission Expires Oct 15, 2003


Notary Public
In and for said County and State

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements		Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 8(1)		Full name and P. O. address of applicant and reference to the particular provision of law requiring PSC approval.	Application – Page No. 1.
807 KAR 5:001 Section 8(2)		The original and 10 copies of application plus copy for anyone named as interested party.	The correct number of applications have been filed.
807 KAR 5:001 Section 10(1)(b)(1)		Reason adjustment is required.	Application – Page No. 1.
807 KAR 5:001 Section 10(1)(b)(2)		Statement that utility's annual reports, including the most recent calendar year, are filed with PSC. 807 KAR 5:006, Section 3(1)	Application – Page No. 2.
807 KAR 5:001 Section 10(1)(b)(3) & (5)		If utility is incorporated, certified copy of articles of incorporation and amendments or out of state documents of similar import. If they have already been filed with PSC refer to the style and case number of the prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	Articles of Incorporation attached.
807 KAR 5:001 Section 10(1)(b)(4) & (5)		If applicant is limited partnership, certified copy of limited partnership agreement. If agreement filed with PSC refer to style and case number of prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	N/A – Lake Village is not a limited partnership.
807 KAR 5:001 Section 10(1)(b)(6)		Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	N/A – Lake Village has never used an assumed name.
807 KAR 5:001 Section 10(1)(b)(7)		Proposed tariff in form complying with 807 KAR 5:011 effective not less than 30 days from date application filed.	Exhibit No. 1.
807 KAR 5:001 Section 10(1)(b)(8)		Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Exhibit No. 2.
807 KAR 5:001		Statement that notice given, see subsections (3) and (4) of	Application – Page No. 2.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
Section 10(1)(b)(9)	807 KAR 5:001, Section 10 with copy.	Exhibit No. 3.
807 KAR 5:001 Section 10(2)	If gross annual revenues exceed \$1,000,000, written notice of intent filed at least 4 weeks prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	Not Applicable.
807 KAR 5:001 Section 10 (6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit No. 4
807 KAR 5:001 Section 10 (6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	Not Applicable.
807 KAR 5:001 Section 10 (6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Customer Notice – Exhibit No. 3 and application at Page 2.
807 KAR 5:001 Section 10 (6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	Exhibit No. 3 (Customer notice).
807 KAR 5:001 Section 10 (6)(f)	If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service.	N/A – Lake Village is a Water Association
807 KAR 5:001 Section 10 (6)(g)	Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit No 5.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(h)	Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.	Exhibit No. 4.
807 KAR 5:001 Section 10 (6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.	N/A – Revenue Requirement reflects Debt Service.
807 KAR 5:001 Section 10 (6)(j):	Current chart of accounts if more detailed than the Uniform System of Accounts.	Not applicable
807 KAR 5:001 Section 10 (6)(k)	Independent auditor's annual opinion report, with any written communication from auditor, which indicates existence of material weakness in internal controls.	The 2002 Audit Report is attached as Exhibit 6.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A – Lake Village is a Water Assn.
807 KAR 5:001 Section 10 (6)m	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A – Lake Village is a Water Assn.
807 KAR 5:001 Section 10 (6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Exhibit No. 6. Lake Village has provided its utility plant information, and it records depreciation at 2% of depreciable assets per year. There are no other studies of depreciation available to Lake Village.
807 KAR 5:00 Section 10 (6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	Excel Word

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A – Lake Village is a Water Assn.
807 KAR 5:001 Section 10 (6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing date.	N/A – Lake Village is a Water Assn.
807 KAR 5:001 Section 10 (6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	Lake Village requests a waiver from this filing requirement as it does not produce monthly managerial reports on a routine basis, and their production at this time would result in additional expense.
807 KAR 5:001 Section 10 (6)(s)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued within past 2 years, and Form 10-Qs issued during the past 6 quarters updated as current information becomes available.	N/A – Lake Village is a Water Assn.
807 KAR 5:001 Section 10 (6)(t)	<p>If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:</p> <ol style="list-style-type: none"> 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment; 2. Explanation of how allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable; 	N/A – There are no affiliate allocations.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(u)	If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period.	N/A.
807 KAR 5:001 Section 10 (6)(v)	<p>Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file:</p> <ol style="list-style-type: none"> 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies to support pricing of all services that generate annual revenue greater than \$1,000,000, except local exchange access: <ol style="list-style-type: none"> (a) Based on current and reliable data from a single time period; and (b) Using generally recognized fully allocated, embedded, or incremental cost principles. 	N/A – Lake Village is a Water Assn.
807 KAR 5:001 Section 10 (7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments	Exhibit No. 4, pro forma adjustments
807 KAR 5:001 Section 10 (7)(b)	Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions.	NA – Lake Village is not proposing any pro forma adjustment for plant additions.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(c)	<p>For each proposed pro forma adjustment reflecting plant additions the following information:</p> <ol style="list-style-type: none"> 1. Starting date of the construction of each major component of plant; 2. Proposed in-service date; 3. Total estimated cost of construction at completion; 4. Amount contained in construction work in progress at end of test period; 5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement; 6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions; 7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and 8. Impact on depreciation expense of all proposed pro 	NA – Lake Village is not proposing any pro forma adjustment for plant additions.

Filing Requirement Index **Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(e)	<p>forma adjustments for plant additions and retirements;</p> <p>Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.</p>	Exhibit No. 5. Billing analysis for present and proposed rates.

EXHIBIT 1

REVISED TARIFF

FOR Boyle and Mercer County
Community, Town or City

P.S.C. KY. NO. 1

1st Revised SHEET NO. 4

CANCELING P.S.C. KY. NO. 1

Original SHEET NO. 4

Lake Village Water Association, Inc.
(Name of Utility)

RULES AND REGULATIONS

A. MONTHLY RATES:

PROPOSED RATES

5/8" x 3/4" Meter

First 2,000 Gallons

Next 8,000 Gallons

Over 10,000 Gallons

\$17.16 Minimum Bill
8.90 Per 1,000 Gallons
6.70 Per 1,000 Gallons

Northpoint Training Center

1.85 Per 1,000 Gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____

ISSUED BY Gailene V. J. A. _____
Month / Date / Year
(Signature of Officer)

TITLE Vice - Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

EXHIBIT 2

COMPARATIVE TARIFF

FOR Boyle and Mercer County
Community, Town or City

P.S.C. KY. NO. 1

1st Revised SHEET NO. 4

Lake Village Water Association, Inc.
(Name of Utility)

CANCELING P.S.C. KY. NO. 1

Original SHEET NO. 4

RULES AND REGULATIONS

A. MONTHLY RATES:

PROPOSED RATES

5/8" x 3/4" Meter

First 2,000 Gallons

\$17.16 Minimum Bill

Next 8,000 Gallons

8.90 Per 1,000 Gallons

Over 10,000 Gallons

6.70 Per 1,000 Gallons

Northpoint Training Center

1.85 Per 1,000 Gallons

CURRENT RATES

5/8 x 3/4 Meter

First 1,000 Gallons

\$14.20 Minimum Bill

Next 2,000 Gallons

5.58 Per 1,000 Gallons

Next 2,000 Gallons

5.08 Per 1,000 Gallons

Next 5,000 Gallons

4.62 Per 1,000 Gallons

Over 10,000 Gallons

4.26 Per 1,000 Gallons

Northpoint Training Center

1.80 Per 1,000 Gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

EXHIBIT 3

CUSTOMER NOTICE

NOTICE

Lake Village Water Association has filed an application with the Public Service Commission to increase its rates for water service as follows:

Current Rates		Proposed Rates	
First 1,000	\$14.20	First 2,000	\$17.16
Next 2,000	5.58	Next 8,000	8.90
Next 2,000	5.08	Over 10,000	6.70
Next 5,000	4.62		
Over 10,000	4.26		
Northpoint	1.80	Northpoint	1.85

Based on the rates proposed by Lake Village, customers using 5,000 gallons per month will experience an increase from \$35.52 to \$43.86 an increase of 24 percent.

The rates contained in this notice are the rates proposed by Lake Village Water Association, Inc. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed change is given. A motion to intervene shall be made in writing and submitted to the Executive Director, Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the Association's office at Burgin, Kentucky. Upon request from an intervenor, the Association shall furnish to the intervenor a copy of the application and supporting documents.

EXHIBIT 4

REVENUE REQUIREMENT

LAKE VILLAGE WATER ASSOCIATION, INC.

PRO FORMA INCOME STATEMENT

	2002 Audit	Adjustments	Note	Pro Forma
Operating Income				
Water Sales	708,479	9,799	a	718,278
Other Income	18,445			18,445
Interest Income	14,838			14,838
Total Operating Revenue	741,762	9,799		751,561
Operating Expenses				
Purchased Water	237,349			237,349
Salaries and Wages				
Transmission and Distribution	68,254	29,987	b	98,241
Customer Accounts	20,855	3,931	b	24,786
Administrative and General	65,706	9,061	b	74,767
Salaries - Commissioners	12,000			12,000
Employee Benefits				
Transmission and Distribution	6,443	3,000	c	9,443
Customer Accounts	1,969			1,969
Administrative and General	6,202			6,202
Materials and Supplies				
Transmission and Distribution	44,109			44,109
Customer Accounts	10,472			10,472
Contractual Services - Eng.	15,694			15,694
Contractual Services - Acct.	4,350			4,350
Contractual Services - Legal	6,816			6,816
Transportation Expense	9,385			9,385
Insurance				
Vehicles	5,164	566	d	5,730
General Liability	6,628	35	d	6,663
Workers Compensation	2,938	2,563	d	5,501
Other Insurance	3,778	446	d	4,224
Miscellaneous Expense	41,302			41,302
Payroll Taxes	14,404			14,404
Other Licenses and Taxes	1,579			1,579
Subtotal Operating and Maintenance	585,397			634,985
Amortization Expense		4,398	e	4,398
Depreciation Expense	152,767			152,767
Long Term Debt	219,633			219,633
Debt Coverage	43,927			43,927
Total Revenue Required	1,001,724	53,986		1,055,710
Less Test Year Revenue				751,561
Increase Needed				304,149
Percentage				0.40

LAKE VILLAGE WATER ASSOCIATION
EXPLANATION OF ADJUSTMENTS
(a) Operating income increased by \$9,799 based on billing analysis. New customers were added during the test year.
(b) Salaries and wages - see schedule of salaries. Includes a 5% increase in salaries and the hiring of a new employee.
(c.) Insurance for new employee of \$250 per month.
(d) See attached invoices for increase in insurance premiums.
(e) See attached invoices for purchased of new computers and software.

LAKE VILLAGE WATER ASSOCIATION		
LONG TERM DEBT		
	Lender	Annual Principal and Interest
Loan 91-01	Rural Development	5,928
Loan 91-02	Rural Development	6,521
Loan 91-03	Rural Development	11,856
Loan 91-04	Rural Development	11,856
Loan 91-05	Rural Development	45,703
Loan 91-06	Rural Development	52,206
Loan 91-07	Rural Development	21,484
Loan 91-08	Rural Development	16,839
Note	Farmers National Bank	3,153
Note	Farmers National Bank	6,299
Note	Farmers National Bank	37,788
Total		219,633
Debt Coverage		43,927
Total with Coverage		263,560

LAKE VILLAGE WATER ASSOCIATION

SALARIES AND WAGES

Name	Position	Payment Method	2002 Salary	5 Percent Increase	Pro forma Salary
Patterson, Lorne	Field	Hourly	\$ 45,467	\$ 2,273	\$ 47,740
Todd, Matthew	Field	Hourly	28,287	1,414	29,701
Todd, Kim	Office	Hourly	23,605	1,180	24,786
Royalty, Mike	Manager	Salary	40,389	2,019	42,409
Monson, Rita	Office	Salary	30,817	1,541	32,358
Total			168,566	8,428	176,994
Proposed New Field Employee					
40 hours per week at \$10.00 per hour					20,800
Pro Forma Salaries					\$ 197,794

LAKE VILLAGE WATER ASSOCIATION				
AMORTIZATION EXPENSE				
ACCOUNTING AND BILLING SOFTWARE				
Date	Vendor	Expenditure	Life	Expense
1/24/03	IMSoftTech	4,143	10	\$ 414
2/27/03	IMSoftTech	2,640	10	264
7/24/03	Cougar Mountain Software	9,790	10	979
8/6/03	Cougar Mountain Software	1,331	10	133
8/26/03	Invensys	1,000	10	100
7/17/03	Office Depot (2 Printers	208	3	69
5/9/03	New Computers and Network	7,315	3	2,438
	Total			\$ 4,398

**CLARENDON NATIONAL INSURANCE COMPANY
WORKERS COMPENSATION INSURANCE
RENEWAL INVOICE**

INSURED: Lake Village Water Association, Inc.
P.O.Box 303
Burgin, KY 40310

PRODUCER: Insurors of Kentucky, Inc.
P.O. Box 2200
Bowling Green, KY 42101

pe \$5,501.00
acc # 12842
8/21/03

Effective August 24, 2003 12:01 a.m. your current coverage will cancel.
In order to avoid a lapse in coverage you must renew your policy by forwarding the required payment before the expiration date. This will be the only notice you receive.

Account # 36101 RENEWAL POLICY PERIOD:

Begins	2003-08-24 at 12:01 AM	Ends	2004-08-24 at 12:01 am
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 ✓

Renewal Payment Options

- | | | |
|------|-------------------|---------|
| (1.) | Annual Premium of | \$5,501 |
| | OR | |
| (2.) | Downpayment of | \$1,375 |

*Balance of annual premium will be invoiced according to schedule shown on quote.

To ensure proper credit to your account, please write your account number on your check.
If you have any questions regarding this statement, contact your agent

***** Payment must be received by due date for continuation of coverage. *****

Paulette McKinney
Account Executive

Enclosures

LAKE VILLAGE WATER ASSOCIATION, INC.

OPERATION & MAINTENANCE

P.O. BOX 303 • PHONE: (859) 748-5642
BURGIN, KY 40310FARMERS NATIONAL BANK
BURGIN, KENTUCKY

NO. 012842

CHECK NO 12842

Pay Exactly 5,501 Dollars and 00 Cents

DATE

08/21/03

AMOUNT

*****5,501.00*

PAY
TO THE
ORDER
OFMIDWESTERN INSURANCE ALLIANCE, INC.
10300 LINN STATION ROAD
SUITE 300
LOUISVILLE KY 40223-3840

LAKE VILLAGE WATER ASSOCIATION, INC.

NON-NEGOTIABLE

CHAIRMAN

TREASURER

⑈012842⑈ ⑆083901236⑆ 000 123 6⑈

Whitenack & Souder Ins., Inc.

204 S. Main St. - P.O. Box 38

Harrodsburg, KY 40330

Phone : 859-734-4358 Fax : 859-734-4350

INVOICE # 9357**Page 1**

ACCOUNT NO.

LAKEV-2

OP

DH

DATE

06/24/03

PRODUCER

Whitenack & Souder Ins, Inc.

BALANCE DUE ON

07/01/03

Lake Village Water Assoc Inc

P O Box 303

Burgin, KY 40310

Eff Date	Policy #	Loan #	Description	Company	Amount
07/01/03	3079195		Encroachment Bond, 1 Year Prem	Ohio Casualty Insurance Co	\$ 761.25
07/01/03	BAO50563226		Autos, 1 Year Premium	Ohio Casualty Insurance Co	\$ 5,729.78
07/01/03	BFW50563226		Property, 1 Year Premium	West American Insurance Co	\$ 2,946.62
07/01/03	BLO50563226		General Liability, 1 Year Prem	Ohio Casualty Insurance Co	\$ 4,760.47
07/01/03	BMO50563226		Equipment, 1 Year Premium	Ohio Casualty Insurance Co	\$ 1,276.89
Invoice Balance:					\$ 15,475.01
Account Balance:					\$ 15,475.01

pd \$15,475.01
chk #12735
6-25-03

THIS DOCUMENT

CONTAINS MICRO PRINTING AND BLEED THRU NUMBERING

ERIN

LAKE VILLAGE WATER ASSOCIATION, INC.

OPERATION & MAINTENANCE

P.O. BOX 303 • PHONE: (859) 748-5642
BURGIN, KY 40310FARMERS NATIONAL BANK
BURGIN, KENTUCKY

NO. 012735

CHECK NO. 12734

Pay Exactly 15,475 Dollars and 01 Cents

DATE

06/26/03

AMOUNT

****15,475.01*

PAY TO THE ORDER OF
WHITENACK & SOUDER INSURANCE, INC.
P.O. BOX 38
204 SOUTH MAIN STREET
HARRODSBURG KY 40330

LAKE VILLAGE WATER ASSOCIATION, INC.

NON-NEGOTIABLE

CHAIRMAN

TREASURER

⑈012735⑈ ⑈083901236⑈ 000 123 6⑈

Whitenack & Souder Ins., Inc.

204 S. Main St. - P.O. Box 38

Harrodsburg, KY 40330

Phone : 859-734-4358 Fax : 859-734-4350

INVOICE #		9631	Page 1
ACCOUNT NO.	OP	DATE	
LAKEV-2	DH	07/21/03	
PRODUCER			
Whitenack & Souder Ins, Inc.			
BALANCE DUE ON			
07/21/03			

Lake Village Water Assoc Inc

P O Box 303

Burgin, KY 40310

Eff Date	Policy #	Loan #	Description	Company	Amount
07/01/03	CCC4494270		Umbrella, 1 Year Premium	The Cincinnati Ins Co	\$ 1,010.00
07/01/03	CCC4494270		Municipal Tax	The Cincinnati Ins Co	\$ 116.00
07/01/03	CCC4494270		Kentucky Surcharge Tax 1 1/2%	The Cincinnati Ins Co	\$ 15.00
Invoice Balance:					\$ 1,141.00
Account Balance:					\$ 1,141.00

pd \$1141.00
cic#12782
7-24-03

THIS DOCUMENT CONTAINS MICRO PRINTING AND BLEED THRU NBERING

NO. 012782

LAKE VILLAGE WATER ASSOCIATION, INC.
OPERATION & MAINTENANCE

P.O. BOX 303 • PHONE: (859) 748-5642
BURGIN, KY 40310

FARMERS NATIONAL BANK
BURGIN, KENTUCKY

CHECK NO 12782

Pay Exactly 1,141 Dollars and 00 Cents

DATE

07/24/03

AMOUNT

*****1,141.00*

PAY
TO THE
ORDER
OF

WHITENACK & SOLDER INSURANCE, INC.
P.O. BOX 38
204 SOUTH MAIN STREET
HARRISBURG KY 40330-

LAKE VILLAGE WATER ASSOCIATION, INC.

~~NON-NEGOTIABLE~~

Mike Royalty

CHAIRMAN

TREASURER

⑈012782⑈ ⑆083401236⑆ 000 123 6⑈

IMSoftTech

(903) 535-8222 • Fax (903) 535-9967
112 E. Line Street, Suite 200
Tyler, TX 75702-5721

INVOICE

INVOICE NUMBER: 011947

INVOICE DATE: 01/24/03

PAGE: 1

SOLD
TO:

LAKE VILLAGE WATER ASSOC.
PO BOX 303
800 PLEASANT HILL DR
BURGIN, KY
40310

SHIP
TO:

LAKE VILLAGE WATER ASSOC.
PO BOX 303
800 PLEASANT HILL DR
BURGIN, KY
40310

SHIP VIA..... VIA UPS 1Z7563623710011537
SHIP DATE..... 01/08/03
DUE DATE..... 02/23/03
TERMS..... NET 30

CUST I.D..... 0069
P.O. NUMBER..... INHANCE 5000
P.O. DATE..... 12/30/02
OUR ORDER NO..... L10014
SALESPERSON..... LASKOWSK

ITEM I.D./DESC.	ORDERED	SHIPPED	UNIT	PRICE	NET	TX
5.3 INHANCE 5000 SOFTWARE 5 USERS, 3000 RECORDS ISK NET OF \$4143 DISCOUNT	1.00	1.00		4143.0000	4143.00	
1.3 SOFTWARE SERVICE AGREEMENT \$1750 ANNUALLY PRORATED FROM IMPLEMENTATION THRU 1/1/2004	1.00	0.00		1750.0000	0.00	
DATA CONVERSION INCLUDED ISK					0.00	
5.3 USERS MANUAL INCLUDED ISK	1.00	1.00		0.0000	0.00	
ON-SITE TRAINING -- 2 DAYS ISK					0.00	

pd \$4143.00
ck# 12438
2-13-03

CUSTOMER COPY

SUBTOTAL	4143.00
TAX	0.00
PAYMENT	0.00
TOTAL	4143.00

LAKE VILLAGE WATER ASSOCIATION, INC.

OPERATION & MAINTENANCE

P.O. BOX 303 • PHONE: (859) 748-5642

BURGIN, KY 40310

FARMERS NATIONAL BANK
BURGIN, KENTUCKY

NO. 012438

CHECK NO. 12438

Pay Exactly 4,143 Dollars and 00 Cents

DATE

02/13/03

AMOUNT

*****4,143.00*

PAY
TO THE
ORDER
OFIMSoftTech
112 E LINE STREET
TYLER TX 757025721

LAKE VILLAGE WATER ASSOCIATION, INC.

NON-NEGOTIABLE

CHAIRMAN

TREASURER

⑈012438⑈ ⑆083901236⑆ 000 123 6⑈



~~PRO. BOX 48/~~

1-800-ME1ER-IT

1-800-838-3/46

SHIP TO

LAKE VILLAGE WATER ASSOC
PO BOX 303

FEDERAL TAX I.D. # 25-1593089

CUSTOMER ORDER #

SUPPORT

INVEN SYS ORDER #
630239

INVOICE NUMBER
ZZ40011640

INVOICE DATE
8/26/03

PAGE :

DATE SHIPPED

8/26/03

SHIPPED VIA

SALESPERSON

SPENCER JR THOMAS E

SEND REMITTANCE TO:

TERMS
NET 30 DAYS

INVENSYS METERING SYSTEMS
PO BOX 371254
PITTSBURGH, PA 15251-7254

1. 2

5395483700005

INVENSY'S SYSTEM SUPPORT
PROGRAM YEARLY RENEWAL
WINDOWS VERSION

1

1

1000.000

1,000.00

AUTOREAD SOFTWARE SUPPORT FROM 11/26/03 - 11/26/04

SUB-TOTAL

1,000.00

PLEASE HELP US END OUR MID-
WINTER HOLIDAY NOTE YOUR
COOPERATION IN CLEARING THIS
BALANCE BY JAN 15 WOULD BE
HEAVILY APPRECIATED.
YOU FOR YOUR BUSINESS.

00000000
#12869-
02-00

ORIGINAL INVOICE

**PLEASE PAY
THIS AMOUNT**

1,000.00

LAKE VILLAGE WATER ASSOCIATION, INC.**OPERATION & MAINTENANCE**P.O. BOX 303 • PHONE: (859) 748-5642
BURGIN, KY 40310**FARMERS NATIONAL BANK**
BURGIN, KENTUCKY**NO. 012866****CHECK NO. 12866**

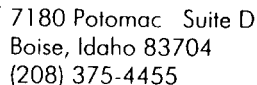
Pay Exactly 1,000 Dollars and 00 Cents

DATE**08/29/03****AMOUNT*********1,000.00***PAY
TO THE
ORDER
OFINVENSYS METERING SYSTEMS
P.O. BOX 371254
PITTSBURGH PA 15251-7254**LAKE VILLAGE WATER ASSOCIATION, INC.****NON-NEGOTIABLE**

CHAIRMAN

TREASURER

⑈012866⑈ ⑆083901236⑆ 000 123 6⑈



267207

Lake Village Water Association
801 Pleasant Hill Drive
PO Box 303
Burgin KY 40310
USA

SALES NO.	PURCHASE ORDER NO.	SHIP VIA	COL	PPD	DATE SHIPPED	TERMS	INVOICE DATE
FAT				CHG		ON ACCOUNT	08/06/03
QTY. ORDERED	QTY. SHIPPED	ITEM NO.	DESCRIPTION			UNIT PRICE	EXTENDED PRICE
1		TRDM	TRAINING, TRAVELING & LODGING			1,331.00	1,331.00
<p>"No returns after 30 days or on upgrades, service packs, or technical support. Restocking fees of 15% on software and 25% on hardware will be charged on allowed returns."</p> <p>"Customer is responsible for collection and attorney fees on all defaulted invoices. In addition, customer may be charged a finance charge of 1-1/2% per month on all past due balances."</p> <p><i>Thank You</i></p>						<p>SALE AMOUNT</p> <p>TAXABLE TOTAL</p> <p>SALES TAX</p> <p>SHIPPING & HANDLING</p> <p>TOTAL</p>	<p>1,331.00</p> <p>0.00</p> <p>0.00</p> <p>1,331.00</p>

LAKE VILLAGE WATER ASSOCIATION, INC.

OPERATION & MAINTENANCE

P.O. BOX 303 • PHONE: (859) 748-5642
BURGIN, KY 40310FARMERS NATIONAL BANK
BURGIN, KENTUCKY

NO. 012825

CHECK NO. 12825

Pay Exactly 1,331 Dollars and 00 Cents

DATE

08/05/03

AMOUNT

*****1,331.00*

PAY
TO THE
ORDER
OFCOURGAR MOUNTIAN FUND ACCOUNTING
7180 POTOMAC DRIVE
BOISE ID 83704-

LAKE VILLAGE WATER ASSOCIATION, INC.

NON-NEGOTIABLE

CHAIRMAN

TREASURER

⑈012825⑈ ⑆083401236⑆ 000 123 6⑈

INVOICE

ACCT. NO:
SOLD TO:8597485642
Lake Village Water Association
PO Box 303
Burgin KY 40310
USA

SHIP TO:

Lake Village Water Associati
801 Pleasant Hill Drive
PO Box 303
Burgin KY 40310
USA

SALES NO.	PURCHASE ORDER NO.	SHIP VIA	COL	PPD	DATE SHIPPED	TERMS	INVOICE D
FAT			CHG			ON ACCOUNT	08/06/
QTY. ORDERED	QTY. SHIPPED	ITEM NO.	DESCRIPTION			UNIT PRICE	EXTENDED

1 TRDM

TRAINING, TRAVELING & LODGING

1,331.00 1,331

"No returns after 30 days or on upgrades, service packs, or technical support. Restocking fees of 15% on software and 25% on hardware will be charged on allowed returns."

"Customer is responsible for collection and attorney fees on all defaulted invoices. In addition, customer may be charged a finance charge of 1-1/2% per month on all past due balances."

Thank You

SALE AMOUNT

1,331

TAXABLE TOTAL

SALES TAX

0

SHIPPING & HANDLING

0

TOTAL

1,331

IMSoftTech

(903) 535-8222 • Fax (903) 535-9967
112 E. Line Street, Suite 200
Tyler, TX 75702-5721

INVOICE

INVOICE NUMBER: 012102

INVOICE DATE: 02/27/03

PAGE: 1

SOLD
TO:

LAKE VILLAGE WATER ASSOC.
PO BOX 303
800 PLEASANT HILL DR
BURGIN, KY
40310

SHIP
TO:

LAKE VILLAGE WATER ASSOC.
PO BOX 303
800 PLEASANT HILL DR
BURGIN, KY
40310

SHIP VIA.....
SHIP DATE..... 02/27/03
DUE DATE..... 03/29/03
TERMS..... NET 30

CUST I.D..... 0069
P.O. NUMBER..... 2003 SA RENEW
P.O. DATE..... 02/27/03
OUR ORDER NO.....
SALESPERSON..... BJH

ITEM I.D./DESC.	ORDERED	SHIPPED	UNIT	PRICE	NET	TX
-----------------	---------	---------	------	-------	-----	----

1.0	1.00	1.00		2640.00		
DOS 800						
SOFTWARE SERVICE AGREEMENT						
CALENDAR YEAR 2003 RENEWAL						
(UPGRADE SA TO 15K AT NO CHG W/2003 SA)						

SUBTOTAL	2640.00
TAX	0.00
PAYMENT	
TOTAL	2640.00

CUSTOMER COPY



7180 Potomac Suite D
Boise, Idaho 83704
(208) 375-4455

INVOICE NO.

266933

INVOICE

ACCT. NO:

SOLD TO:

8597485642
Lake Village Water Association
PO Box 303
Burgin KY 40310
USA

SHIP TO:

Lake Village Water Association
801 Pleasant Hill Drive
PO Box 303
Burgin, KY 40310
USA

SALES NO.	PURCHASE ORDER NO.	SHIP VIA	COL	PPD	DATE SHIPPED	TERMS	INVOICE DATE
FAT		FEDEX STANDARD CHG			COD		07/24/03
QTY. ORDERED	QTY. SHIPPED	ITEM NO.	DESCRIPTION			UNIT PRICE	EXTENDED PRICE
			Have po				
1		FW2	FUND SUITE 2 USER			3,599.00	3,599.00
1		RWWI	REPORT WRITER FOR WINDOWS			0.00	0.00
1		FROGF2	G/L REPORT GENERATOR FUND 2			699.00	699.00
3		TRAIN-OS	ON SITE TRAINING			995.00	2,985.00
			NON-REFUNDABLE IF CANCELED LESS THAN 30				
			DAYS BEFORE START OF CLASS.				
1		AMP-FW2-20H	ANNUAL MAINT - FW2, 20 HR			2,499.00	2,499.00
1		PTXW	PAYROLL TAX UPDATE SUBSCRIPTION			0.00	0.00
1		SSCD	ANNUAL CD MAINTENANCE SUB.			0.00	0.00
1		SA20	ANNUAL AMP 20 HR SUPPORT			0.00	0.00
			THE ABOVE ITEM IS NON-REFUNDABLE				
1		COD	COD			7.50	7.50
			Training for Aug 12th to 14th				
<p>"No returns after 30 days or on upgrades, service packs, or technical support. Restocking fees of 15% on software and 25% on hardware will be charged on allowed returns."</p> <p>"Customer is responsible for collection and attorney fees on all defaulted invoices. In addition, customer may be charged a finance charge of 1-1/2% per month on all past due balances."</p> <p>Thank You</p>						SALE AMOUNT	9,789.50
						TAXABLE TOTAL	
						SALES TAX	0.00
						SHIPPING & HANDLING	0.00
						TOTAL	9,789.50

indows)

Point-of-Sale, or Fund
www.cougarmtn.com,
u back within the next
ill assist you as quickly

upport Specialist is not
much time will be billed

enewed after expiration
be paid for in advance,

ent however, does not
ardware and operating
refundable if we cannot

which include the latest
version of our software

u currently have a Technical
ent agreement are depleted,
ue requires more minutes to
ig a new Technical Support
ay \$4 per minute for the time
Rev. 11/02

012776

CE NO.	DESCRIPTION	AMOUNT	DISCOUNT	NET AMOUNT
	FUND ACCOUNTING SOFTWARE	9,802.00	0.00	9,802.00

THIS DOCUMENT CONTAINS MICRO PRINTING AND BLEED THRU NUMBERING

LAKE VILLAGE WATER ASSOCIATION, INC.
 OPERATION & MAINTENANCE
 P.O. BOX 303 • PHONE: (859) 748-5642
 BURGIN, KY 40310

FARMERS NATIONAL BANK
 BURGIN, KENTUCKY

NO. 012776

CHECK NO 12776

Pay Exactly 9,802 Dollars and 00 Cents

DATE

07/24/03

AMOUNT

*****9,802.00*

PAY TO THE ORDER OF
 COURAGE MOUNTAIN FUND ACCOUNTING
 7100 POTOMAC DRIVE
 HOUSE ID 83700

LAKE VILLAGE WATER ASSOCIATION, INC.

W. Royalty
 Mike Royalty
 CHAIRMAN
 TREASURER

⑈012776⑈ ⑆083901236⑆ 000 123 6⑈



PEH ENGINEERS
1525 BULL LEA ROAD, SUITE 100
LEXINGTON, KY 40511
PHONE (859) 225-8500

BANK ONE, KENTUCKY, NA
LOUISVILLE, KENTUCKY 40202
21-13-830

27830

July 25, 2003

PAY Three Thousand Eight Hundred Twenty Five and 55/100 Dollars

AMOUNT \$3,825.55



TO DELL DIRECT SALES L.P.
DEPT CH14012
PALATINE IL 60055-4012

Paeje B. Gaudin MP

⑈027830⑈ ⑆083000137⑆ 260270263⑈

PEH ENGINEERS

27830

Invoice Number	Date	Voucher	Account	
				
DETACH AT PERFORM AND RETURN WITH PAYMENT				
MAKE CHECK PAYABLE/REMIT TO:			Invoice Number: 387346159	
DELL MARKETING L.P.			Customer Number: 000889623	
C/O DELL USA L.P.			Purchase Order: 2922	
DEPT. CH14012			Order Number: 387346159	
PALATINE, IL 60055-4012				
				

Ship. &/or Handling	\$	0.00
Subtotal	\$	3,609.00
Taxable:		
\$ 3,609.00	\$	216.55
Invoice Total	\$	3,825.55
	\$	
	\$	
Balance Due	\$	3,825.55
Amt. Enclosed	\$	3,825.55

00038734615900000003825550500008896235

PEH Engineers
1525 Bull Lea Road, Suite 100
Lexington, KY 40511

INVOICE

PEH DIVISION

August 25, 2003
Project No. 2-360.140
Invoice No.: 130.000LV

Lake Village Water Association
Mike Royalty, Manager
801 Pleasant Hill Drive
Burgin, KY 40310

Project: 2-360.140 Computer Purchase

Professional Services: July 2003

3 Dell Computers

3,825.55

AMOUNT DUE THIS INVOICE

3,825.55

REMIT TO: PEH Engineers 1525 Bull Lea Road, Suite 100 Lexington, KY 40511 859-225-8500
TERMS: Payment is due within 30 days of the date on this invoice.



This is your INVOICE

Page: 1 of 2

FID Number: 74-2616805
 Sales Rep: SHON TURNER
 For Sales: (800)727-4827
 Sales Fax: (800)967-4061

Customer Number: 000889623
 Purchase Order: 2922
 Order Number: 387346159
 Order Date: 06/24/03

Invoice Number: **387346159**

For Customer Service: (877)671-3355
 For Technical Support: (877)671-3355
 Dell Online: <http://www.dell.com>

05 01 0 01 01 N

Invoice Date: 06/25/03
 Payment Terms: NET DUE 30 DAYS
 Shipped Via: STANDARD GROUND
 Waybill Number: V5316E4214623906

SOLD TO:
 #BWNHKKPV
 #0008 8962 35# 00028026 1 MB
 MR LEE WILSON
 P E H ENGINEERS
 STE 100
 1525 BULL LEA RD
 LEXINGTON KY 40511-1227

SHIP TO: 06/03

RECEIVING
 P E H ENGINEERS - SUB OF PEH
 STE 100
 1525 BULL LEA RD
 LEXINGTON, KY 40511

ORDER NO: DELL

IV DATE: 06/25/03

IV NUMBER: 387346159

JUN 30 2003

DATE ENTERED: 07/23/03

ATE ENTERED: 130.000 (for Lake Village)

2360140 315905

PLEASE REVIEW IMPORTANT TERMS & CONDITIONS ON THE REVERSE SIDE OF THIS INVOICE

Order	Shipped	Item Number	Description	Unit	Unit Price	Amount
3	3	221-1776	Dimension 2350 Series, Intel Pentium 4 Processor NPFC,A/V2.20GHz	EA	1,203.00	3,609.00
3	3	311-1649	256MB DDR SDRAM at 266MHz	EA	0.00	0.00
3	3	310-1582	Dell Quiet Key Keyboard	EA	0.00	0.00
3	3	320-0449	E772,17IN(16.0IN VIS)MONITOR, Midnight Grey,Dimension	EA	0.00	0.00
3	3	430-3900	Integrated Intel 3D AGP Graphics	EA	0.00	0.00
3	3	340-7396	30GB Ultra ATA/100 Hard Drive 7200RPM	EA	0.00	0.00
3	3	340-8688	No Floppy Drive Requested	EA	0.00	0.00
3	3	420-1922	Microsoft Windows XP Professional,Service Pack 1, English	EA	0.00	0.00
3	3	313-7222	Dell Application Back-up CD, Factory Install	EA	0.00	0.00
3	3	412-0309	Dell Support 2.0 for Dimension 2350	EA	0.00	0.00
3	3	310-1871	Dell 2-button Scroll Mouse	EA	0.00	0.00
3	3	430-0441	Integrated 10/100 Ethernet	EA	0.00	0.00
3	3	313-1313	56K PCI Data Fax Modem for Windows	EA	0.00	0.00
3	3	313-1462	4X DVD+R/RW CD-RW Combination Drive	EA	0.00	0.00
3	3	430-0428	Digital Content Authoring Software	EA	0.00	0.00
3	3	430-0461	Cyberlink Software Decoding for DVD Drives	EA	0.00	0.00
3	3	313-0847	Integrated ADI 1885 Audio	EA	0.00	0.00
3	3	313-1874	Altec Lansing ADA215 Speakers	EA	0.00	0.00
3	3	410-0144	Symantec Norton Antivirus 2003 CD With Documentation, Retail Version	EA	0.00	0.00
3	3	365-1234	Readyware Installation Fee	EA	0.00	0.00
3	3	461-8388	No Digital Music Software requested	EA	0.00	0.00
3	3	461-3064	No Digital Imaging Software requested	EA	0.00	0.00

Service contract may be subject to sales tax.
 ny on-site or other service covers Dell system hardware only.
 LEASE KEEP ORIGINAL BOX FOR ALL RETURNS. NOTICE: AS OF 5/1/99 PLEASE REMIT
 ALL PAYMENTS TO DELL MARKETING L. P. YOUR CONTRACTS HAVE BEEN ASSIGNED TO
 HIS ENTITY.

Ship. &/or Handling	\$	0.00
Subtotal	\$	3,609.00
Taxable:	Tax	
\$ 3,609.00	\$	216.55
Invoice Total	\$	3,825.55



PEH Engineers
1525 Bull Lea Road, Suite 100
Lexington, Kentucky 40511

Invoice

PEH DIVISION

Lake Village Water Association
Mike Royalty, Manager
801 Pleasant Hill Drive
Burgin KY 40310

August 17, 2003
Project No: 2-360.140
Invoice No: 0026641

Project: 2-360.140 IT Services Office Network Upgrade

Professional Services from Beginning of Project through July 31, 2003

Professional Personnel

	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
ENGINEER	1.00	110.57	110.57
	1.00	105.15	105.15
	10.50	85.00	892.50
	1.00	68.41	68.41
SECRETARY	1.00	63.83	63.83
	0.25	40.37	10.09
	0.50	35.77	17.89
	15.25		1,268.44
Total Labor			1,268.44
Expenses			37.56
Billing Limits	Current	Prior	To-date
Total Billings	1,306.00	0.00	1,306.00
Limit			3,500.00
Remaining			2,194.00

Total this invoice \$1,306.00

Total Billings to date 1,306.00

REMIT TO: PEH Engineers 1525 Bull Lea Road, Suite 100 Lexington, Kentucky 40511 859-225-8500
TERMS: Payment is due within 30 days of the date on this invoice.

This is your INVOICE

Page: 2 of 2

Number: 74-2816805
 Sales Rep: SHON TURNER
 For Sales: (800)727-4827
 Sales Fax: (800)967-4061
 For Customer Service: (877)671-3355
 For Technical Support: (877)671-3355
 Dell Online: <http://www.dell.com>

Customer Number: 000889623
 Purchase Order: 2922
 Order Number: 387346159
 Order Date: 06/24/03

Invoice Number: 387346159

Invoice Date: 06/25/03
 Payment Terms: NET DUE 30 DAYS
 Shipped Via: STANDARD GROUND
 Waybill Number: V5316E4214623906

05 01 0 01 01 N

SOLD TO:

MR LEE WILSON
 P E H ENGINEERS
 STE 100
 1525 BULL LEA RD
 LEXINGTON, KY 40511

SHIP TO:
 RECEIVING
 P E H ENGINEERS - SUB OF PEH
 STE 100
 1525 BULL LEA RD
 LEXINGTON, KY 40511

PLEASE REVIEW IMPORTANT TERMS & CONDITIONS ON THE REVERSE SIDE OF THIS INVOICE

Order	Shipped	Item Number	Description	Unit	Unit Price	Amount
3	3	412-2580	Ms Office Pro XP, CD with Doc, English, OEM Package, Factory Install	EA	0.00	0.00
3	3	950-7950	*Type 3 Contract - Next Business Day Parts and Labor On-Site Response, Initial Year	EA	0.00	0.00
3	3	950-7952	*Type 3 Contract - Next Business Day Parts and Labor On-Site Response, 2YR Extended	EA	0.00	0.00
3	3	412-0148	*No Internet Service Provider Requested	EA	0.00	0.00
		System Service Tags	C5FHZ21, G5FHZ21, 26FHZ21	EA	0.00	0.00

THIS DOCUMENT

IT CONTAINS MICRO PRINTING AND BLEED THROUGH NUMBERING

NO. 012872

LAKE VILLAGE WATER ASSOCIATION, INC.

OPERATION & MAINTENANCE

P.O. BOX 303 • PHONE: (859) 748-5642
BURGIN, KY 40310

FARMERS NATIONAL BANK
BURGIN, KENTUCKY

CHECK NO. 12872

Pay Exactly 6,593 Dollars and 05 Cents

DATE

08/29/03

AMOUNT

*****6,593.05*

PAY
TO THE
ORDER
OF

PARROTT, ELY AND HURT
1525 BULL LEA RD SUITE 100
LEXINGTON KY 405111227

LAKE VILLAGE WATER ASSOCIATION, INC.

NON-NEGOTIABLE

CHAIRMAN

TREASURER

⑈012872⑈ ⑆083901236⑆ 000 123 6⑈

DATE	INVOICE NO.	DESCRIPTION	AMOUNT	DISCOUNT	NET AMOUNT
08/26/03	130.000LV	3 DELL COMPUTERS 2-360.140	3,825.55	0.00	3,825.55
08/29/03	0026637	CONT 8 2-360.084	356.96	0.00	356.96
08/29/03	0026687	DOT ENC PER 2-360.102	218.66	0.00	218.66
08/29/03	0026638	CONT 8 2-360.132	370.38	0.00	370.38
08/29/03	0026639	MISC SER 2-360.133	47.10	0.00	47.10
08/29/03	0026688	CONT 12 2-360.137	408.49	0.00	408.49
08/29/03	0026640	JAMES LANE DESIGN 2-360.139	59.91	0.00	59.91
08/29/03	0026641	IT SER OFFICE NET 2-360.140	1,306.00	0.00	1,306.00

Bumblebee Mike
Office Depot 2203
60 Cassidy Avenue
Danville, KY 40422
859-936-1610
Employee 175610
Store #2203 Reg #012 Tran #8257
SALE
POS Version 4.13
*02 22353
pic#12780
7-2403*

080873633360 PRNTR,HP 5550,INKJ
1 @ 98.24 98.24

Need ink? The color ink cartridge you
will need for this machine is the
HP57 (item# 154-605)

080873633360 PRNTR,HP 5550,INKJ
1 @ 98.24 98.24

Need ink? The color ink cartridge you
will need for this machine is the
HP57 (item# 154-605).

SUBTOTAL	196.48
KY 6% SALES TAX	11.79
TOTAL	208.27
CASH	208.27
CHANGE	0.00

At Office Depot
Our Customers are Everything,
Without Them Nothing Else Matters!

For a chance to Win
One of 40-\$100 or 1-\$1000
Quarterly Shopping Sprees!
See store for Contest Rules.

Visit us at
www.od.bizrate.com
ID: PCPR9 MTLF GLYJ1

Receive one free ream of Envirocopy
recycled paper SKU 563-024 when you
bring in your empty ink or toner
cartridge. Coupon # 12871540
Limit one per customer.
Visit the Ink & Toner shop
for limitations.

SCHOOL ID# 70039649

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qualified purchase to your school.



LAKE VILLAGE WATER ASSOCIATION, INC.

OPERATION & MAINTENANCE

P.O. BOX 303 • PHONE: (859) 748-5642

BURGIN, KY 40310

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BURGIN, KENTUCKY

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LAKE VILLAGE WATER ASSOCIATION, INC.

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TREASURER

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DISCOUNT

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LAKE VILLAGE WATER ASSOCIATION, INC. OPERATION & MAINTENANCE P.O. BOX 303 • PHONE: (859) 748-5642 • BURGIN, KY 40310

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208.27 0.00 15.26

EXHIBIT 5

BILLING ANALYSIS

LAKE VILLAGE WATER ASSOCIATION									
TEST YEAR BILLING ANALYSIS									
JANUARY - DECEMBER 2002									
USAGE TABLE									
	BILLS	GALLONS	1,000	2,000	2,000	2,000	5,000	10,000	
First 1,000	4,586	1,356,400	1,356,400						
Next 2,000	5,488	11,515,000	5,488,000	6,027,000					
Next 2,000	5,628	22,421,400	5,628,000	11,256,000	5,537,400				
Next 5,000	4,397	29,649,800	4,397,000	8,794,000	8,794,000	7,664,800			
Over 10,000	1,385	34,964,800	1,385,000	2,770,000	2,770,000	6,925,000	21,114,800		
Total	21,484	99,907,400	18,254,400	28,847,000	17,101,400	14,589,800	21,114,800		
REVENUE TABLE									
	Bills	Gallons	Rate	Revenue					
First 1,000	21,484	18,254,400	14.20	305,072.80					
Next 2,000		28,847,000	5.58	160,966.26					
Next 2,000		17,101,400	5.08	86,875.11					
Next 5,000		14,589,800	4.62	67,404.88					
Over 10,000		21,114,800	4.26	89,949.05					
Subtotal		99,907,400		710,268.10					
Northpoint Training Center		4,450,000	1.80	8,010.00					
Total		104,357,400		718,278.10					

LAKE VILLAGE WATER ASSOCIATION, INC.

PRO FORMA INCOME STATEMENT

	Expenses	Commodity	Demand	Customer
Operating Expenses				
Purchased Water	237,349	237,349		
Salaries and Wages				
Transmission and Distribution	98,241		98,241	
Customer Accounts	24,786			24,786
Employee Benefits				
Transmission and Distribution	9,443		9,443	
Customer Accounts	1,969			1,969
Payroll Taxes	8,846		7,002	1,844
Amortization Expense	4,398			4,398
Materials and Supplies				
Transmission and Distribution	44,109		44,109	
Customer Accounts	10,472			10,472
Contractual Services - Eng.	15,694		15,694	
Contractual Services - Acct.	4,350			4,350
Subtotal Less Commodity	222,308		174,489	47,819
Percentage			0.78	0.22
Miscellaneous Expense	41,302		32,418	8,884
Salaries - Commissioners	12,000		9,419	2,581
Administrative and General Salaries	74,767		58,684	16,083
Administrative and General Benefits	6,202		4,868	1,334
Insurance				
Vehicles	5,730		4,497	1,232
General Liability	6,663		5,230	1,433
Workers Compensation	5,501		4,318	1,183
Other Insurance	4,224		3,315	908
Contractual Services - Legal	6,816		5,350	1,466
Transportation Expense	9,385		7,366	2,019
Payroll Taxes - Adm and General	5,557		4,362	1,195
Other Licenses and Taxes	1,579		1,239	340
Subtotal Operating and Maintenance	639,382	237,349	315,554	86,479
Depreciation Expense	152,767		130,095	22,672
Long Term Debt	219,633		194,936	24,697
Debt Coverage	43,927		38,987	4,939
Total Revenue Required	1,055,709	237,349	679,573	138,787
Less Other Income	(33,283)		(16,642)	(16,642)
Revenue Required From Rates	1,022,426	237,349	662,932	122,145
Less Northpoint Revenue	(8,244)	(7,679)	(565)	
Revenue Required from Retail Rates	1,014,182	229,670	662,366	122,145

LAKE VILLAGE WATER ASSOCIATION			
RATE TO NORTHPOINT TRAINING CENTER			
		Total Cost per 1,000	Northpoint Cost per 1,000
Total Gallons Purchased	144,792.0		
Allow 5% Line Loss for Northpoint	(7,239.6)		
Total Gallons for Wholesale Allocation	137,552.4		
Gallons Purchased by Northpoint	4,450,000		
Lake Village Expenses	Total	Per 1,000	Allocated to Northpoint
Purchased Water	\$ 237,349	\$ 1.73	\$ 7,679
Transmission and Distribution - Operation	17,469	0.13	565
Transmission and Distribution - Maintenance	298,085	2.86	
Customer Accounts and Admin and General	86,479	0.83	
Depreciation	152,767	1.46	
Debt Service	263,560	2.53	
Cost Allocated to Northpoint	\$ 1,055,709		\$ 8,244
Rate to Northpoint Training Center			\$ 1.85
Only 5% of line loss was allocated to Northpoint since they use a small percentage of the total lines of the system.			

LAKE VILLAGE WATER ASSOCIATION				
ALLOCATION OF PLANT VALUE				
	Total	Commodity	Demand	Customer
Land and Land Rights	49,648		49,648	
Structures and Improvements	42,324		42,324	
Supply Mains	15,500		15,500	
Pumping Equipment	50,800		50,800	
Dist. Reservoirs and Standpipes	560,946		560,946	
Trans. And Dist. Mains	2,774,264		2,774,264	
Services	187,862			187,862
Meters and Installations	252,775			252,775
Hydrants	1,960			1,960
Subtotal	3,936,079	-	3,493,482	442,597
Percentages			0.8876	0.1124
Office Furniture and Equip.	47,321		42,000	5,321
Transportation Equip.	124,897		110,853	14,044
Power Operated Equip.	56,016		49,717	6,299
Other Tangible Plant	119,709		106,248	13,461
Total	4,284,022	-	3,802,301	481,722
			0.8876	0.1124

LAKE VILLAGE WATER ASSOCIATION				
ALLOCATION OF DEPRECIATION				
	Total	Commodity	Demand	Customer
Structures and Improvements	728		728	
Supply Mains	469		469	
Pumping Equipment	1,539		1,539	
Dist. Reservoirs and Standpipes	16,999		16,999	
Trans. And Dist. Mains	93,745		93,745	
Services	5,708			5,708
Meters and Installations	13,970			13,970
Hydrants	98			98
Subtotal	133,256	-	113,480	19,776
Percentage			0.8516	0.1484
Office Furniture and Equip.	3,753		3,196	557
Transportation Equipment	4,956		4,220	736
Power Operated Equipment	4,817		4,102	715
Other Tangible Plant	5,985		5,097	888
Total	152,767	-	130,095	22,672
Percentage			0.8516	0.1484

LAKE VILLAGE WATER ASSOCIATION

COST OF SERVICE STUDY

	Total	2,000	1,000	2,000	5,000	10,000
Actual Gallons Sold	99,907	22,192	24,909	17,101	14,590	21,115
Percentage		0.2221	0.2493	0.1712	0.1460	0.2113
Weighted Sales for Demand	150,400	44,384.60	37,363.50	25,652	21,884.70	21,115
Percentage		0.2951	0.2484	0.1706	0.1455	0.1404
Allocation of Costs						
Commodity	229,670	51,016	57,262	39,313	33,539	48,539
Demand	662,366	195,471	164,550	112,973	96,381	92,990
Customer	122,145	122,145				
Total	1,014,181	368,633	221,812	152,286	129,921	141,530
Rates		17.16	8.90	8.90	8.90	6.70

EXHIBIT 6

2002 AUDIT REPORT

LAKE VILLAGE WATER ASSOCIATION, INC.

AUDIT OF FINANCIAL STATEMENTS

DECEMBER 31, 2002

CRAIG A. BUTLER

CERTIFIED PUBLIC ACCOUNTANT

DANVILLE, KENTUCKY

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WILLIAM D. RUTH, III, CPA

CRAIG A. BUTLER, CPA

CENTRE ON MAIN, SUITE 108
475 WEST MAIN STREET
DANVILLE, KENTUCKY 40422

TELEPHONE
859/236-4630

INDEPENDENT AUDITOR'S REPORT

FAX
859/236-4998

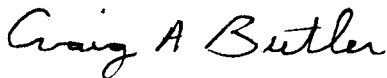
CHAIRMAN AND COMMISSIONERS
LAKE VILLAGE WATER ASSOCIATION, INC.
BURGIN, KENTUCKY 40310

I HAVE AUDITED THE ACCOMPANYING STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY OF LAKE VILLAGE WATER ASSOCIATION, INC. AS OF DECEMBER 31, 2002, AND THE RELATED STATEMENTS OF OPERATIONS, EQUITY, OPERATING EXPENSES, AND CASH FLOWS FOR THE YEAR THEN ENDED. THESE FINANCIAL STATEMENTS ARE THE RESPONSIBILITY OF THE ASSOCIATION'S MANAGEMENT. MY RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE FINANCIAL STATEMENTS BASED ON MY AUDIT.

I HAVE CONDUCTED MY AUDIT IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, AND THE STANDARDS APPLICABLE TO FINANCIAL AUDITS CONTAINED IN *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES. THOSE STANDARDS REQUIRE THAT I PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE FREE OF MATERIAL MISSTATEMENT. AN AUDIT INCLUDES EXAMINING, ON A TEST BASIS, EVIDENCE SUPPORTING THE AMOUNTS AND DISCLOSURES IN THE FINANCIAL STATEMENTS. AN AUDIT ALSO INCLUDES ASSESSING THE ACCOUNTING PRINCIPLES USED AND SIGNIFICANT ESTIMATES MADE BY MANAGEMENT, AS WELL AS EVALUATING THE OVERALL FINANCIAL STATEMENT PRESENTATION. I BELIEVE THAT MY AUDIT PROVIDES A REASONABLE BASIS FOR MY OPINION.

IN MY OPINION, THE FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE ASSETS, LIABILITIES, AND MEMBERS' EQUITY OF LAKE VILLAGE WATER ASSOCIATION, INC. AS OF DECEMBER 31, 2002, AND THE RESULTS OF ITS' OPERATIONS, CASH FLOWS, AND OPERATING EXPENSES FOR THE YEAR THEN ENDED IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA.

IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, I HAVE ALSO ISSUED MY REPORT DATED MARCH 24, 2003, ON MY CONSIDERATION OF THE ASSOCIATION'S INTERNAL CONTROL OVER FINANCIAL REPORTING AND MY TESTS OF COMPLIANCE WITH CERTAIN PROVISIONS OF LAWS, REGULATIONS, CONTRACTS AND GRANTS. THAT REPORT IS AN INTEGRAL PART OF AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND SHOULD BE READ IN CONJUNCTION WITH THIS REPORT IN CONSIDERING THE RESULTS OF MY AUDIT.



CRAIG A. BUTLER
CERTIFIED PUBLIC ACCOUNTANT

DANVILLE, KENTUCKY
MARCH 24, 2003

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY
DECEMBER 31, 2002
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2001)

	<u>2002</u>	<u>2001</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
CASH (NOTE 3)	\$ 18,573	\$ 20,490
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE)	60,013	54,875
INVENTORY (NOTE 2)	13,788	15,278
PREPAID EXPENSES (NOTE 2)	<u>10,281</u>	<u>5,091</u>
TOTAL CURRENT ASSETS	102,655	95,734
RESTRICTED ASSETS:		
CASH (NOTE 3)	304,077	422,796
PROPERTY & EQUIPMENT, NET (NOTE 2 AND 4)	<u>3,309,171</u>	<u>2,795,935</u>
TOTAL ASSETS	<u>\$ 3,715,903</u>	<u>\$ 3,314,465</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY
DECEMBER 31, 2002
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2001)

	<u>2002</u>	<u>2001</u>
<u>LIABILITIES & EQUITY</u>		
CURRENT LIABILITIES:		
CURRENT PORTION - DEBT (NOTE 5)	\$ 207,773	\$ 60,392
CASH OVERDRAFT	54,764	23,165
ACCOUNTS PAYABLE	133,883	108,926
RETAINAGE PAYABLE	18,318	15,015
ACCRUED INTEREST	74,560	72,718
OTHER CURRENT LIABILITIES	<u>26,718</u>	<u>26,271</u>
TOTAL CURRENT LIABILITIES	516,016	306,487
LONG-TERM DEBT (NOTE 5)	<u>1,803,217</u>	<u>1,914,136</u>
TOTAL LIABILITIES	2,319,233	2,220,623
MEMBERS' EQUITY:		
MEMBERSHIPS	522,378	497,628
CONTRIBUTIONS IN AID OF CONSTRUCTION	1,426,509	1,026,509
RETAINED DEFICIT	<u>(552,217)</u>	<u>(430,295)</u>
TOTAL EQUITY	<u>1,396,670</u>	<u>1,093,842</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u>\$ 3,715,903</u>	<u>\$ 3,314,465</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2001)

	<u>2002</u>	<u>2001</u>
OPERATING REVENUE:		
WATER SALES	\$ 708,479	\$ 676,472
OTHER OPERATING REVENUE	<u>18,445</u>	<u>15,871</u>
TOTAL OPERATING REVENUE	726,924	692,343
OPERATING EXPENSES	<u>585,397</u>	<u>512,357</u>
NET OPERATING INCOME BEFORE DEPRECIATION	141,527	179,986
DEPRECIATION (NOTE 2)	<u>152,767</u>	<u>140,321</u>
NET OPERATING INCOME	(11,240)	39,665
NON-OPERATING INCOME (EXPENSES):		
INTEREST INCOME	7,487	14,838
INTEREST EXPENSE	<u>(118,169)</u>	<u>(116,482)</u>
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(110,682)</u>	<u>(101,644)</u>
NET LOSS	<u>\$ (121,922)</u>	<u>\$ (61,979)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>MEMBERSHIPS</u>	<u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>	<u>RETAINED DEFICIT</u>	<u>TOTAL</u>
BALANCE AT JANUARY 1, 2001	\$ 483,003	\$ 926,509	\$ (368,316)	\$ 1,041,196
2001 NET LOSS	-	-	(61,979)	(61,979)
CAPITAL CONTRIBUTION- GOVERNMENT	-	100,000	-	100,000
REPAYMENTS TO DEVELOPERS	-	-	-	-
MEMBERSHIPS	<u>14,625</u>	<u>-</u>	<u>-</u>	<u>14,625</u>
BALANCE AT DECEMBER 31, 2001	497,628	1,026,509	(430,295)	1,093,842
2002 NET LOSS	-	-	(121,922)	(121,922)
CAPITAL CONTRIBUTION- GOVERNMENT	-	400,000	-	400,000
REPAYMENTS TO DEVELOPERS	-	-	-	-
MEMBERSHIPS	<u>24,750</u>	<u>-</u>	<u>-</u>	<u>24,750</u>
BALANCE AT DECEMBER 31, 2002	<u>\$ 522,378</u>	<u>\$ 1,426,509</u>	<u>\$ (552,217)</u>	<u>\$ 1,396,670</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2002
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2001)

	<u>2002</u>	<u>2001</u>
SOURCE OF SUPPLY EXPENSE:		
WATER PURCHASES	\$ 237,349	\$ 210,721
OPERATION SUPPLIES AND EXPENSE	<u>1,775</u>	<u>-</u>
TOTAL	239,124	210,721
TRANSMISSION & DISTRIBUTION EXPENSE:		
MAINTENANCE & REPAIRS	<u>42,334</u>	<u>29,613</u>
TOTAL	42,334	29,613
CUSTOMER ACCOUNTS EXPENSE:		
UNCOLLECTIBLE ACCOUNTS	-	-
SUPPLIES & POSTAGE	<u>10,472</u>	<u>8,253</u>
TOTAL	10,472	8,253
ADMINISTRATIVE & GENERAL:		
SALARIES	154,815	143,355
INSURANCE	18,508	19,680
MISCELLANEOUS GENERAL EXPENSE	41,302	37,206
TRANSPORTATION EXPENSE	9,385	8,311
PAYROLL TAXES	14,404	13,793
STAFF BENEFITS	14,614	12,576
LEGAL	6,816	6,081
AUDIT AND ACCOUNTING	4,350	4,425
COMMISSIONERS' FEES	12,000	12,000
ENGINEERING FEES	15,694	4,807
OTHER LICENSES AND TAXES	<u>1,579</u>	<u>1,536</u>
TOTAL ADMINISTRATIVE & GENERAL	<u>293,467</u>	<u>263,770</u>
TOTAL OPERATING EXPENSES	<u>\$ 585,397</u>	<u>\$ 512,357</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
NET LOSS	\$ (121,922)	\$ (61,979)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	152,767	140,321
DECREASE (INCREASE) IN ACCOUNTS RECEIVABLE	(5,138)	(477)
DECREASE (INCREASE) IN INVENTORY	1,490	1,530
DECREASE (INCREASE) IN PREPAID EXPENSES	(5,190)	1,292
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	24,957	80,669
INCREASE (DECREASE) IN RETAINAGE PAYABLE	3,303	11,800
INCREASE (DECREASE) IN OTHER CURRENT LIABILITIES	447	174
INCREASE (DECREASE) IN ACCRUED INTEREST	<u>1,842</u>	<u>(6,197)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	52,556	167,133
CASH FLOWS FROM INVESTING ACTIVITIES		
ACQUISITION OF PROPERTY AND EQUIPMENT	(666,003)	(406,768)
PROCEEDS FROM SALE OF PROPERTY & EQUIPMENT	<u>-</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	(666,003)	(406,768)
CASH FLOWS FROM FINANCING ACTIVITIES		
MEMBERSHIPS (TAP FEES)	24,750	14,625
CAPITAL CONTRIBUTIONS-GOVERNMENT	400,000	100,000
REFUNDS OF CONTRIBUTED CAPITAL TO DEVELOPERS	-	-
PROCEEDS FROM NOTE PAYABLE	100,000	50,000
REPAYMENTS OF NOTE PAYABLE	(1,728)	(116)
REPAYMENTS OF RD LOANS	<u>(61,810)</u>	<u>(50,147)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	461,212	114,362
NET INCREASE (DECREASE) IN CASH	(152,235)	(125,273)
CASH AT BEGINNING OF YEAR	<u>420,121</u>	<u>545,394</u>
CASH AT END OF YEAR	<u>\$ 267,886</u>	<u>\$ 420,121</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS:
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2002 AND 2001, THE ASSOCIATION PAID \$116,328
AND \$122,679, RESPECTIVELY IN INTEREST COSTS.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. GENERAL

LAKE VILLAGE WATER ASSOCIATION, INC., (THE "ASSOCIATION") IS A NOT-FOR-PROFIT CORPORATION. THE ASSOCIATION PROVIDES WATER SERVICES TO THE RURAL SECTIONS OF BOYLE AND MERCER COUNTIES.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. THE ASSOCIATION USES THE ACCRUAL METHOD OF ACCOUNTING, AND ACCORDINGLY REFLECTS ALL SIGNIFICANT RECEIVABLES, PAYABLES, AND OTHER LIABILITIES. CERTAIN DISCLOSURES HAVE BEEN INCLUDED IN THIS REPORT TO CONFORM WITH RURAL DEVELOPMENT AGENCY (RD) REQUIREMENTS.
- B. FOR PURPOSES OF THE STATEMENT OF CASH FLOWS, THE ASSOCIATION CONSIDERS ALL HIGHLY LIQUID INVESTMENTS WITH AN INITIAL MATURITY OF THREE MONTHS OR LESS TO BE CASH EQUIVALENTS.
- C. MANAGEMENT USES ESTIMATES AND ASSUMPTIONS IN PREPARING FINANCIAL STATEMENTS. THOSE ESTIMATES AND ASSUMPTIONS AFFECT THE REPORTED AMOUNTS OF ASSETS AND LIABILITIES, THE DISCLOSURE OF CONTINGENT ASSETS AND LIABILITIES, AND THE REPORTED REVENUES AND EXPENSES. ACTUAL RESULTS COULD DIFFER FROM THOSE ESTIMATES.
- D. PROPERTY AND EQUIPMENT ARE STATED AT COST, AND ARE DEPRECIATED OVER THE ESTIMATED USEFUL LIFE OF THE ASSET USING THE STRAIGHT-LINE METHOD OF DEPRECIATION. TRANSMISSION LINES AND STANDPIPES ARE BEING DEPRECIATED OVER A 33 YEAR LIFE; OFFICE FURNITURE AND EQUIPMENT OVER A 5 TO 10 YEAR LIFE; BUILDINGS AND IMPROVEMENTS OVER A 20 YEAR LIFE.
- E. A STATUTORY MORTGAGE LIEN EXISTS ON THE UTILITY PLANT IN FAVOR OF THE RURAL DEVELOPMENT AGENCY (RD), WITH LOANS BEING COLLATERALIZED BY AND PAYABLE FROM GROSS REVENUES OF THE ASSOCIATION INCLUDING ALL ASSETS OF THE ASSOCIATION.
- F. MATERIAL INVENTORY IS STATED AT COST USING THE FIRST-IN, FIRST-OUT (FIFO) METHOD.
- G. PREPAID ITEMS INCLUDE PAYMENTS MADE TO VENDORS THAT WILL BENEFIT FUTURE PERIODS.
- H. RESTRICTED ASSETS REPRESENT CASH FOR WHICH USE IS LIMITED BY APPLICABLE LOAN COVENANTS.
- G. CERTAIN ACCOUNTS IN THE PRIOR-YEAR FINANCIAL STATEMENTS HAVE BEEN RECLASSIFIED FOR COMPARATIVE PURPOSES TO CONFORM WITH THE PRESENTATION IN THE CURRENT-YEAR FINANCIAL STATEMENTS.

LAKE VILLAGE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

3. CASH

CASH IS COMPOSED OF THE FOLLOWING WITH RESTRICTION FOR USE NOTED:

		2002	2001
CASH ON HAND		\$ 50	\$ 50
CASH ON DEPOSIT-OPERATING ACCOUNT	(A)	(54,764)	(23,165)
CASH ON DEPOSIT-REVENUE ACCOUNT	(B)	18,523	20,440
CASH ON DEPOSIT-CUSTOMER DEPOSITS	(C)	6,762	6,848
SAVINGS ACCOUNTS:			
DEBT SERVICE ACCOUNT	(D)	62,102	101,886
RESERVE ACCOUNT	(E)	171,220	167,437
LAKE VILLAGE CONSTRUCTION ACCT.	(F)	63,993	146,625
TOTAL		<u>\$ 267,886</u>	<u>\$ 420,121</u>

THE ASSOCIATION MAINTAINS CASH IN ONE LOCAL BANK AND IS REQUIRED BY THE RURAL DEVELOPMENT LOAN AGREEMENT TO HAVE THE FINANCIAL INSTITUTIONS PLEDGE SECURITIES HAVING A CURRENT QUOTED MARKET VALUE AT LEAST EQUAL TO THE UNINSURED DEPOSITS. AT YEAR END, THE CARRYING AMOUNT OF THE ASSOCIATION'S CASH WAS \$267,836 AND THE BANK BALANCE WAS \$412,002. AT DECEMBER 31, 2002, \$100,000 OF THE BANK BALANCE WAS COVERED BY FEDERAL DEPOSITORY INSURANCE, AND THE REMAINING AMOUNT WAS COVERED BY COLLATERAL PLEDGED BY THE BANK.

- (A) THE OPERATING AND MAINTENANCE ACCOUNT IS THE PRIMARY OPERATING ACCOUNT OF THE ASSOCIATION. IT IS FUNDED BY TRANSFERS FROM THE REVENUE ACCOUNT AND IS USED TO PAY ALL OPERATING EXPENSES OF THE ASSOCIATION.
- (B) THE REVENUE ACCOUNT, REQUIRED BY THE RD LOAN AGREEMENT, IS USED FOR THE DEPOSIT OF ALL FUNDS COLLECTED AND FOR THE DISBURSEMENT OF FUNDS TO THE PROPER BANK ACCOUNTS.
- (C) THE CUSTOMER DEPOSIT ACCOUNT IS USED TO HANDLE REQUIRED DEPOSITS BY NEW CUSTOMERS.
- (D) THE ASSOCIATION IS REQUIRED TO TRANSFER FUNDS MONTHLY TO THE DEBT SERVICE ACCOUNT TO MEET THE MONTHLY INSTALLMENTS FOR PRINCIPAL AND INTEREST ON THE RD LOANS OUTSTANDING.
- (E) THE ASSOCIATION IS REQUIRED TO TRANSFER FUNDS MONTHLY TO THE RESERVE ACCOUNT IN AMOUNTS SPECIFIED BY RURAL DEVELOPMENT. THE USE OF SUCH FUND IS RESTRICTED TO PAYING THE COST OF REPAIRING OR REPLACING, MAKING EXTENSION OR IMPROVEMENTS OR WHEN NECESSARY FOR PAYMENT OF PRINCIPAL AND INTEREST.
- (F) THIS ACCOUNT IS MAINTAINED BY THE ASSOCIATION TO ACCOUNT FOR THE CASH RECEIPTS AND DISBURSEMENTS RELATED TO CERTAIN WATER SYSTEM IMPROVEMENT PROJECTS UNDERTAKEN DURING THE YEAR.

LAKE VILLAGE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

4. PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT CONSISTS OF THE FOLLOWING AS OF DECEMBER 31:

	<u>2002</u>	<u>2001</u>
LAND	\$ 49,648	\$ 49,648
BUILDINGS & IMPROVEMENTS	42,324	42,324
SUPPLY MAINS	15,500	15,500
PUMP STATION	50,800	50,800
STANDPIPES & STORAGE TANKS	560,946	560,946
WATER LINES	3,205,668	2,774,264
CUSTOMER SERVICES	189,926	187,862
METERS	278,196	252,775
HYDRANTS	1,960	1,960
OFFICE FURNITURE	47,321	47,321
TRANSPORTATION EQUIPMENT	124,897	124,897
OTHER EQUIPMENT	56,016	56,016
OTHER TANGIBLE PLANT	119,709	119,709
CONSTRUCTION IN PROCESS	<u>434,155</u>	<u>227,041</u>
TOTAL	5,177,066	4,511,063
LESS: ACCUMULATED DEPRECIATION	<u>1,867,895</u>	<u>1,715,128</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 3,309,171</u>	<u>\$ 2,795,935</u>

5. LONG-TERM DEBT

A. LOAN 91-01

5% PROMISSORY NOTE PAYABLE TO THE DEPARTMENT OF AGRICULTURE,
RURAL DEVELOPMENT IN ANNUAL INSTALLMENTS OF \$5,928, INCLUDING
PRINCIPAL AND INTEREST. \$ 25,622

B. LOAN 91-02

5% PROMISSORY NOTE PAYABLE TO THE DEPARTMENT OF AGRICULTURE,
RURAL DEVELOPMENT IN ANNUAL INSTALLMENTS OF \$6,521, INCLUDING
PRINCIPAL AND INTEREST. 28,686

C. LOAN 91-03

5% PROMISSORY NOTE PAYABLE TO THE DEPARTMENT OF AGRICULTURE,
RURAL DEVELOPMENT IN ANNUAL INSTALLMENTS OF \$11,856, INCLUDING
PRINCIPAL AND INTEREST. 52,155

D. LOAN 91-04

5% PROMISSORY NOTE PAYABLE TO THE DEPARTMENT OF AGRICULTURE,
RURAL DEVELOPMENT IN ANNUAL INSTALLMENTS OF \$11,856, INCLUDING
PRINCIPAL AND INTEREST. 51,954

E. LOAN 91-05

8.375% PROMISSORY NOTE PAYABLE TO THE DEPARTMENT OF
AGRICULTURE, RURAL DEVELOPMENT IN ANNUAL INSTALLMENTS OF
\$45,703, INCLUDING PRINCIPAL AND INTEREST. 375,469

(CONTINUED)

LAKE VILLAGE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

5. LONG-TERM DEBT (CONTINUED)

F. LOAN 91-06 5.50% PROMISSORY NOTE PAYABLE TO THE DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT IN ANNUAL INSTALLMENTS OF \$52,206, INCLUDING PRINCIPAL AND INTEREST.	777,602
F. LOAN 91-07 5.375% PROMISSORY NOTE PAYABLE TO THE DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT IN ANNUAL INSTALLMENTS OF \$21,484, INCLUDING PRINCIPAL AND INTEREST.	273,357
G. LOAN 91-08 5% PROMISSORY NOTE PAYABLE TO THE DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT IN ANNUAL INSTALLMENTS OF \$16,839, INCLUDING PRINCIPAL AND INTEREST.	277,990
H. NOTE PAYABLE – FARMERS NATIONAL BANK 4.8% VARIABLE RATE NOTE PAYABLE DUE IN MONTHLY INSTALLMENTS OF \$262.78, INCLUDING PRINCIPAL AND INTEREST.	49,168
I. NOTE PAYABLE – FARMERS NATIONAL BANK 4.8% VARIABLE RATE NOTE PAYABLE DUE IN MONTHLY INSTALLMENTS OF \$524.90, INCLUDING PRINCIPAL AND INTEREST.	<u>98,987</u>
TOTAL OUTSTANDING DEBT	<u><u>\$2,010,990</u></u>

THE ABOVE NOTES ARE SECURED BY ALL PROPERTY AND EQUIPMENT OF THE ASSOCIATION.

6. INCOME TAXES

DURING 1973, THE ASSOCIATION APPLIED FOR AND OBTAINED TAX EXEMPT STATUS FROM THE INTERNAL REVENUE SERVICE UNDER SECTION 501(C)(12) OF THE INTERNAL REVENUE CODE.

7. OTHER MATTERS

(A) THE ASSOCIATION HAS NOT BEEN ASSESSED OR PAID ANY PROPERTY, INTANGIBLE OR FRANCHISE TAX IN PRIOR YEARS. SINCE THERE IS SOME UNCERTAINTY ABOUT THE TAXABILITY OF A "WATER ASSOCIATION", THE FINANCIAL STATEMENTS DO NOT REFLECT ANY LIABILITY FOR UNPAID TAXES, IF ANY.

LAKE VILLAGE WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

	<u>2002</u>	<u>2001</u>
(B) ACTIVE METER CUSTOMERS - DECEMBER 31,	1832	1777
(C) WATER LOSS:		
WATER PURCHASES - GALLONS	144,792,066	133,656,264
WATER SOLD AND USED IN OPERATIONS	<u>112,824,700</u>	<u>106,423,220</u>
LINE LOSS	31,967,366	27,233,044
PERCENTAGE OF LINE LOSS	22.08%	20.38%

(D) ACCOUNTS RECEIVABLE AGING AT DECEMBER 31, 2002:

CURRENT	\$ 53,322
30-59 DAYS	5,991
60-89 DAYS	700
OVER 90 DAYS	1,097
LESS: ALLOWANCE	<u>(1,097)</u>
NET ACCOUNTS RECEIVABLE	<u>\$ 60,013</u>

ALL ACCOUNTS RECEIVABLE 90 DAYS AND OLDER HAVE BEEN INCLUDED IN THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS.

8. RISK MANAGEMENT

THE ASSOCIATION IS EXPOSED TO A VARIETY OF ACCIDENTAL LOSSES, AND HAS ATTEMPTED TO MINIMIZE ITS RISK BY CARRYING COMMERCIAL INSURANCE. THERE HAVE BEEN NO SIGNIFICANT REDUCTIONS IN COVERAGE FROM COVERAGE IN THE PRIOR YEAR

9. SUBSEQUENT EVENT

ON JANUARY 22, 2003, THE ASSOCIATION BORROWED \$600,000 FROM FARMERS NATIONAL BANK FOR THE PURPOSE AS FOLLOWS:

RETIRE EXISTING DEBT OWED TO FARMERS NATIONAL BANK	\$148,324
PAID TO ASSOCIATION FOR PURPOSE OF CONSTRUCTING WATERLINES AND TANK CONSTRUCTION	<u>451,676</u>
TOTAL	<u>\$600,000</u>

THE ABOVE NOTE HAS A TERM OF 30 YEARS WITH AN INITIAL INTEREST RATE OF 4.8%. MONTHLY PAYMENTS OF \$3,149 BEGIN FEBRUARY 2003. THE INTEREST RATE IS VARIABLE AND WILL BE REVISED ANNUALLY. RATE EACH YEAR WILL BE 80% OF FARMER'S NATIONAL BANK'S PRIME RATE.

COMPLIANCE SECTION

WILLIAM D. RUTH, III, CPA

CRAIG A. BUTLER, CPA

CENTRE ON MAIN, SUITE 108
475 WEST MAIN STREET
DANVILLE, KENTUCKY 40422

TELEPHONE
859/236-4630

FAX
859/236-4998

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

CHAIRMAN AND COMMISSIONERS
LAKE VILLAGE WATER ASSOCIATION, INC.
BURGIN, KENTUCKY 40310

I HAVE AUDITED THE FINANCIAL STATEMENTS OF LAKE VILLAGE WATER ASSOCIATION, INC. AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002, AND HAVE ISSUED MY REPORT THEREON DATED MARCH 24, 2003. I CONDUCTED MY AUDIT IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, AND STANDARDS APPLICABLE TO FINANCIAL AUDITS CONTAINED IN *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES.

COMPLIANCE

AS PART OF OBTAINING REASONABLE ASSURANCE ABOUT WHETHER LAKE VILLAGE WATER ASSOCIATION, INC.'S FINANCIAL STATEMENTS ARE FREE OF MATERIAL MISSTATEMENT, I PERFORMED TESTS OF ITS COMPLIANCE WITH CERTAIN PROVISIONS OF LAWS, REGULATIONS, CONTRACTS AND GRANTS, NONCOMPLIANCE WITH WHICH COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE DETERMINATION OF FINANCIAL STATEMENT AMOUNTS. HOWEVER, PROVIDING AN OPINION ON COMPLIANCE WITH THOSE PROVISIONS WAS NOT AN OBJECTIVE OF MY AUDIT AND, ACCORDINGLY, I DO NOT EXPRESS SUCH AN OPINION. THE RESULTS OF MY TESTS DISCLOSED ONE INSTANCE OF NONCOMPLIANCE THAT IS REQUIRED TO BE REPORTED UNDER *GOVERNMENT AUDITING STANDARDS*.

AT YEAR END, THE ASSOCIATION WAS HOLDING 3 CHECKS WRITTEN ON THE REVENUE ACCOUNT TOTALING \$43,800 THAT WAS SUPPOSED TO BE TRANSFERRED TO THE DEBT SERVICE ACCOUNT. THE CHECKS WERE BEING HELD BECAUSE THERE WAS INSUFFICIENT FUNDS IN THE REVENUE ACCOUNT TO HONOR SUCH TRANSFERS. THESE HELD CHECKS REPRESENT A VIOLATION OF THE DEBT COVENANTS WITH THE RURAL DEVELOPMENT AGENCY THAT STIPULATE THE FUNDS MUST BE TRANSFERRED MONTHLY FROM THE REVENUE ACCOUNT TO THE DEBT SERVICE ACCOUNT.

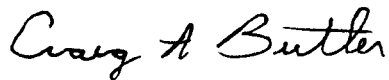
INTERNAL CONTROL OVER FINANCIAL REPORTING

IN PLANNING AND PERFORMING MY AUDIT, I CONSIDERED LAKE VILLAGE WATER ASSOCIATION INC.'S INTERNAL CONTROL OVER FINANCIAL REPORTING IN ORDER TO DETERMINE MY AUDITING PROCEDURES FOR THE PURPOSE OF EXPRESSING MY OPINION ON THE FINANCIAL STATEMENTS AND NOT TO PROVIDE ASSURANCE ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING. MY CONSIDERATION OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING WOULD NOT NECESSARILY DISCLOSE ALL MATTERS IN THE INTERNAL CONTROL THAT MIGHT BE MATERIAL WEAKNESSES. A

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

MATERIAL WEAKNESS IS A CONDITION IN WHICH THE DESIGN OR OPERATION OF ONE OR MORE OF THE INTERNAL CONTROL COMPONENTS DOES NOT REDUCE TO A RELATIVELY LOW LEVEL THE RISK THAT MISSTATEMENTS IN AMOUNTS THAT WOULD BE MATERIAL IN RELATION TO THE FINANCIAL STATEMENTS BEING AUDITED MAY OCCUR AND NOT BE DETECTED WITHIN A TIMELY PERIOD BY EMPLOYEES IN THE NORMAL COURSE OF PERFORMING THEIR ASSIGNED FUNCTIONS. I NOTED NO MATTERS INVOLVING THE INTERNAL CONTROL OVER FINANCIAL REPORTING AND ITS OPERATION THAT I CONSIDER TO BE MATERIAL WEAKNESSES.

THIS REPORT IS INTENDED SOLELY FOR THE INFORMATION OF THE CHAIRMAN, COMMISSIONERS, AND APPLICABLE REGULATORY AGENCIES AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.



CRAIG A. BUTLER
CERTIFIED PUBLIC ACCOUNTANT

DANVILLE, KENTUCKY
MARCH 24, 2003

EXHIBIT 7

ARTICLES OF INCORPORATION

ARTICLES OF INCORPORATION

LAKE VILLAGE WATER

ASSOCIATION INC.

We, whose names are hereto subscribed, acting as incorporators for the purpose of forming a nonprofit corporation under the provisions of Chapter 273 of the KRS, assuming and claiming all powers, rights, privileges and immunities granted or permitted bodies corporate under said laws, and do hereby adopt the following Articles of Incorporation:

ARTICLE I

NAME

The name of this corporation shall be LAKE VILLAGE WATER ASSOCIATION, INC.

ARTICLE II

REGISTERED OFFICE AND AGENT

The registered office of the corporation shall be at Danville, County of Boyle, State of Kentucky; the registered agent at such address is Donald D. Watkins, Farmers National Bank Building, Danville, Kentucky.

ARTICLE III

PURPOSE

The purpose of the said corporation shall be to establish, develop and operate a complete water supply and distribution system by purchase, development, or otherwise to construct reservoirs or water towers, erect pumping machinery, lay water mains, pipes and hydrants; to furnish and sell water to members of the corporation, public bodies and local businesses, for

fire protection, drinking and general, farm and domestic use and collect payment for rental or sale of same and doing all things necessary, convenient and incidental thereto, and a complete sanitary and/or storm sewer collection system and treatment facilities by purchase, development, or otherwise to construct mains, submains, and laterals, treatment plant, lagoons, to furnish sewer service to members of the corporation, public bodies and local businesses, for sanitary and health protection and collect service payment for rental of same and doing all things necessary, convenient and incidental thereto.

ARTICLE IV

SEAL

This corporation shall have a seal, which seal shall contain the corporate name, Kentucky, and the words "corporate seal".

ARTICLE V

POWERS

The corporation shall have all powers provided by law.

ARTICLE VI

MEMBERSHIP

Persons may become members of the corporation as provided in the

By-Laws.

ARTICLE VII

DURATION

The corporation shall have perpetual duration.

ARTICLE VIII

BOARD OF DIRECTORS

1. The affairs of this corporation shall be managed by a Board of five (5) Directors to be elected by and from the members thereof and shall serve for three years and until their successors are elected. The size of the Board may not be changed except by amendment to these articles. At the first annual election, three (3) Directors shall be elected for a term of one year; one (1) Director shall be elected for a term of two years; one (1) Director shall be elected for a term of three years. Thereafter Directors shall be elected for terms of three years.

2. The Board of Directors shall fill vacancies occurring in its membership by appointment of qualified members to hold office until the next annual meeting of the membership at which meeting a member shall be elected to fill the unexpired term.

3. A majority of the Directors must be present at a meeting to conduct the business of the corporation.

4. Until the first annual election, the following persons shall be Directors:

J. C. Caldwell	Danville, Kentucky
J. Hollington Cooper	Danville, Kentucky
Wesley Kelly	Danville, Kentucky
H. W. Graham	Harrodsburg, Kentucky
James Campbell	Harrodsburg, Kentucky

and the following persons shall be Officers:

President	J. C. Caldwell	Danville, Kentucky
Vice President	James Campbell	Harrodsburg, Kentucky
Secretary	H. W. Graham	Harrodsburg, Kentucky
Treasurer	Wesley Kelly	Danville, Kentucky

ARTICLE VIII

BOARD OF DIRECTORS

1. The affairs of this corporation shall be managed by a Board of five (5) Directors to be elected by and from the members thereof and shall serve for three years and until their successors are elected. The size of the Board may not be changed except by amendment to these articles. At the first annual election, three (3) Directors shall be elected for a term of one year; one (1) Director shall be elected for a term of two years; one (1) Director shall be elected for a term of three years. Thereafter Directors shall be elected for terms of three years.

2. The Board of Directors shall fill vacancies occurring in its membership by appointment of qualified members to hold office until the next annual meeting of the membership at which meeting a member shall be elected to fill the unexpired term.

3. A majority of the Directors must be present at a meeting to conduct the business of the corporation.

4. Until the first annual election, the following persons shall be Directors:

J. C. Caldwell

Danville, Kentucky

J. W. H. Cooper

Danville, Kentucky

W. H. Kelly

Danville, Kentucky

E. F. Graham

Harrodsburg, Kentucky

James Campbell

Harrodsburg, Kentucky

and the following persons shall be Officers:

President:

J. C. Caldwell

Danville, Kentucky

Vice President:

James Campbell

Harrodsburg, Kentucky

Secretary:

E. F. Graham

Harrodsburg, Kentucky

Treasurer:

W. H. Kelly

Danville, Kentucky

5. The Board of Directors shall have their annual meeting after the annual meeting of members hereinafter provided for, at a time and place as he designated by the President, and will elect from their own number a President, Vice-President, Secretary and Treasurer. However, the offices of Secretary and Treasurer may be combined into one office.

6. The Board of Directors shall have other meetings as provided in the By-Laws.

ARTICLE IX

MEETINGS

1. The annual meeting of the members of this corporation for the purpose of electing directors and transacting such other business as may properly come before it at such time, shall be held on the first Monday in March of each year at the time and place specified by the Board of Directors.

2. Special meetings of the members of this corporation may be called by the President at any time or place within the county upon giving to each of the members a notice in writing mailed to his postal address as it appears in the corporation records at least ten (10) days prior to such meeting, and such meetings shall be called by him at any time upon written demand of the majority of the directors, or of any twenty (20) members, and in case of his neglect or refusal to call such meetings, such directors or members shall make in calling such meetings, which shall be the same as though called by the President. If the purpose of the meeting is to amend the constitution, then the notice of meeting signed by the Secretary shall set forth the proposed amendment in substance. Articles may be amended by a two-thirds vote of the members present at such a meeting or voting by proxy.

ARTICLE X

DISPOSITION

The names and addresses of the incorporators are:

J. Clemens Caldwell	Danville, Kentucky
Ross Kelly	Danville, Kentucky
J. Wellington Cooper	Danville, Kentucky
H. W. Graham	Harrodsburg, Kentucky
James Campbell	Roads # 4 Harrodsburg, Kentucky

ARTICLE XI

BY-LAWS

The corporation may make and amend By-laws at its pleasure through its Board of Directors.

IN WITNESS WHEREOF, we have hereunto subscribed our names this the 29th day of April, 1968.

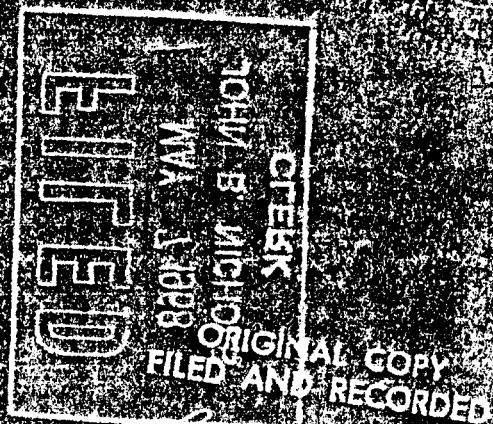
J. W. Cooper
James L. Campbell
Ross Kelly
H. W. Graham
J. Clemens Caldwell

STATE OF KENTUCKY
COUNTY OF BOYLE

On this 25th day of April, 1968, before me Donald B. Watkins, a
Notary Public in and for said County, personally appeared J. Clement Caldwell,
Wesley Hally, J. Wellington Cooper, M. H. Graham and James Campbell to me
known to be the persons named in and who executed the foregoing instrument,
and acknowledged that they executed the same as their voluntary act and deed.

Donald B. Watkins
Notary Public, Commonwealth at Large

My commission expires February 19, 1969.



John B. Nichols

MAY 2 1968

SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY
BY *James B. Bell*
Assistant Secretary

STATE OF KENTUCKY
COUNTY OF BOYLE, SCT.

I, John B. Nichols, Clerk of the Boyle County Court, do certify
that the foregoing articles of incorporation were this day filed for
record in my office, and which with the foregoing and this certificate
has been duly recorded in my said office.

Given under my hand this 7th day of May, 1968.

John B. Nichols, Clerk
by *Betty F. Fisher* D.C.